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## OFFICE OF THE ALBANY CITY TREASURER

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**DATE:** May 31, 2018

**TO:** Hon. Kathy M. Sheehan  
Members of the Common Council

**FROM:** Hon. Darius Shahinfar

**CC:** Rachel McEneny, Mike Wheeler

**RE:** YTD 2017 Performance

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The following is a summary of the unaudited results for 2017. The final numbers present a positive financial picture as **the City generated a small year-end surplus of about \$550K**. (This surplus is contingent on receiving the \$500k voluntary PILOT from Fuller Rd. Management, which has not yet occurred.) In short, although revenues were down slightly (\$300k) and spending was up (\$4.1M) from 2016, spending was still \$7.1m under budget and revenues exceeded expenses, creating the 2017 \$556k surplus.

Generally, although salaries rose 3.5% compared to 2016 and were about \$1.1m over budget, fringe benefits rose only 0.9% compared to 2016 and were \$1.4m under budget. Much of the over-budget salary figures are based on union contract settlements.

Other notable budget variations for 2017 include under-budget spending on workers' compensation (\$269K), retirement expenses (\$858K), Retiree health care (\$678K), Medicare refunds / UIB / FICA (\$142K) and equipment expenses (\$522K). However, there was over budget spending as well, particularly in overtime at nearly \$1.6M.

Revenue in 2017, including debt reserve funds, totaled \$173.8M which was \$305,000 less than last year. Expenses including debt reserve expenses totaled over \$173.2M, an increase of 2.4%, about (\$4.1M) compared to 2016. Revenues were almost \$7.1M less than budgeted and expenditures \$7.6M less than budgeted, which was due to grant revenue and expenditures that were not realized.

The **surplus** is evidence of strong overall budget management. It should be cautioned however, that this small surplus should not be expected to continue, especially in light of the State's decision to cut \$500k from its Capital City Funding. It should be further cautioned that **without the \$12.5m in assistance from NYS, there would have been a crippling deficit**. The City's Fund

Balance, the key criteria used by the State Comptroller's office to gauge fiscal stress, stands at \$7.3M. This is still well below the \$17.5M (10% of City expenses) in Fund Balance needed to begin the road out of fiscal stress as determined by the State Comptroller.

## REVENUE (Thousands)

|                      | Dec     | Dec     |          | %    | Dec     | Annual  |          | %      |
|----------------------|---------|---------|----------|------|---------|---------|----------|--------|
| REVENUE              | YTD 17  | YTD 16  | Variance |      | YTD 17  | Budget  | Variance | Budget |
| PROPERTY TAX         | 57,487  | 56,313  | 1,174    | 2%   | 57,487  | 57,700  | (213)    | 100%   |
| SALES/USE TAX        | 33,350  | 33,150  | 200      | 1%   | 33,350  | 34,112  | (762)    | 98%    |
| PILOTS/19-a          | 19,480  | 32,487  | (13,007) | -40% | 19,480  | 20,429  | (949)    | 95%    |
| OTHER LOCAL SOURCES  | 3,233   | 2,909   | 324      | 11%  | 3,233   | 3,319   | (86)     | 97%    |
| LANDFILL             | 7,859   | 11,019  | (3,160)  | -29% | 7,859   | 7,254   | 605      | 108%   |
| OTHER DEPARTMENTS    | 5,222   | 5,668   | (446)    | -8%  | 5,222   | 5,647   | (425)    | 92%    |
| INTER GOVERNMENT     | 292     | 250     | 42       | 17%  | 292     | 235     | 57       | 124%   |
| FINES                | 4,279   | 4,382   | (103)    | -2%  | 4,279   | 5,204   | (925)    | 82%    |
| LICENSES AND PERMITS | 5,011   | 3,418   | 1,593    | 47%  | 5,011   | 5,235   | (224)    | 96%    |
| STATE AID            | 29,601  | 16,740  | 12,861   | 77%  | 29,601  | 29,740  | (139)    | 100%   |
| SALE P/COMP/LOSS     | 380     | 655     | (275)    | -42% | 380     | 401     | (21)     | 95%    |
| MISCELLANEOUS        | 5,085   | 5,030   | 55       | 1%   | 5,085   | 8,395   | (3,310)  | 61%    |
| OTHER                | 1,527   | 1,090   | 437      | 40%  | 1,527   | 2,213   | (686)    | 69%    |
| DEBT RESERVE         | 1,000   | 1,000   | 0        | 0%   | 1,000   | 1,000   | 0        | 100%   |
| TOTAL REVENUE        | 173,806 | 174,111 | (305)    | 0%   | 173,806 | 180,884 | (7,078)  | 96%    |

The chart above summarizes the City's sources of revenue for 2017.

1. **Property Tax revenue** was higher than last year by almost \$1.2M due to the slight increase in the tax rate and the expansion of the tax base, but is under budget at the end of the year as a result of paying assessment reductions.
2. **Sales Tax revenue** increased by \$200,000 from last year and was slightly below budget at 98% for the year. This revenue fell short of the budget in part because of a drop in County sales in earlier quarters of 2017.
3. **PILOTS/19-a revenue** was 40% lower than last year and 95% of budget. Last year the State provided the City with an additional \$12.5M in 19a funds. The loss of the 19a funds was made up in the State Aid category by the first \$12.5M Capital City Funding payment made to the City in 2017. This revenue category fell short of the budget as a result of not receiving payments from some voluntary PILOTS
4. **Other Local sources revenue** was 11% higher than 2016. Interest and penalties on property taxes was increased by \$236K, utilities gross receipts tax increased by \$75K and Time Warner / Spectrum franchise fees were

higher by \$113K. Even with these increases over last year this category was only 97% of budget and (\$86K) short.

5. **Landfill revenue** decreased 29% or almost \$3.2 million compared last year. As anticipated, tipping fees decreased by almost \$2.9 million from commercial and municipal customers and contaminated soil decrease by \$495K. However, revenue is at 108% of budget and \$605K over budget for 2017.
6. **Other Departmental revenue** was 8% (\$446K) lower than 2016. Golf fees were lower by \$165K, golf cart and range fees were down by over \$102K, rental registry fees decreased by \$103K and APD Event Security revenue decreased by \$64K.
7. **Intergovernmental revenue** increased by 17% from last year. Interest income was up almost \$13K and used vehicle and equipment sales increased by \$25K.
8. **Fines and Forfeitures revenue** decreased by 2% from 2016. Most of the decrease is related to traffic violation fines were lower by \$335K.
9. **Licenses and Permits revenue** increased 47% (\$1.6M) compared to last year. Most of the increase is from demolition fees which increased by \$1.3M, street opening revenue increased by \$317K and plumbing permit revenue increased by \$134K. Safety inspection permits decreased \$75K and parking permit revenue decreased \$41K.
10. **State aid** – Increased by almost \$12.9M. The majority of the increase (\$12.5M) is from the State making a first time payment for Capital City Funding. The police court security program increased by \$218K. The balance of the increase is from funds received from multiple state grants.
11. **Miscellaneous revenue** increased \$55K or 1% from 2016. Refund of prior expenses increased by \$395K, health insurance reimbursements increased by almost \$25K, while self- insurance recoveries decreased \$275K and refund of prior year recycling expenses decreased by \$246,000. The large variance to budget is due to the \$3.2M that is added to the general fund for Housing & Community Development Reimbursement. This simply acts as a pass through account that does not impact the general fund, but was set up comply with HUD grant disbursement regulations.
12. **Other revenue** increased by \$437K compared to last year. The majority of the increase in this category is related to FEMA money (\$354K) due to the City for storm damages. Most of the revenue in this category is derived

from federal government grants and the timing of these payments varies from one year to the next.

## DISBURSEMENTS

| Category/Account          | Dec         | Dec         |           | %    | Annual      |             | %      |
|---------------------------|-------------|-------------|-----------|------|-------------|-------------|--------|
|                           | YTD 17      | YTD 16      | Variance  |      | Budget      | Variance    | Budget |
| Personal Benefits         | 78,102,932  | 75,430,761  | 2,672,171 | 3.5% | 77,005,784  | 1,097,148   | 101%   |
| Fringe Benefits           | 49,762,033  | 49,341,824  | 420,209   | 0.9% | 51,173,210  | (1,411,177) | 97%    |
| Non-Personal Service      | 44,384,918  | 43,349,925  | 1,034,993 | 2.4% | 51,705,241  | (7,320,323) | 86%    |
| Use of Debt Reserve       | 1,000,000   | 1,000,000   | 0         | 0.0% | 1,000,000   | 0           | 100%   |
| Total                     | 173,249,883 | 169,122,510 | 4,127,373 | 2.4% | 180,884,235 | (7,634,352) | 96%    |
| Number of weeks in period | 52          | 53          | -1        |      | 52          |             | 100%   |
|                           |             |             |           |      |             |             |        |

**In 2017, total disbursements increased by \$4.1M or 2.4% compared to 2016 although they were \$7.6M under budget for the year.** Spending was down in Fringe Benefits and in Non-Personal Service while Personal Benefits increased compared to last year.

- 1. Salary expense (Personal Benefits) increased by almost \$2.7M or 3.5%, and was 1% over budget for 2017.** Most of this increase was anticipated in the budget. The increase over budget was mostly related to increases in police and firefighter salary expenses. Non-reimbursable overtime expense which increased by almost \$279K also contributed to increases in this category. Non-reimbursable police O/T increased by almost \$224K. Most of the other City departments with a few exceptions were level or had slightly lower salary expenses for the year.
- 2. Fringe Benefit expenses increased by 0.9% (\$420K) from 2016 but finished the year \$1.4M under budget.** Most of the increase in this category is related to an increase in workers' compensation costs which increased by \$912K although they were \$269K under budget. Employee health insurance costs increased by \$727K while retiree health insurance costs decreased by \$678K from last year. NYS Retirement expenses decreased by \$733K from last year and ended the year \$858K under budget. FICA expense decreased by \$194K and was \$142K under budget for the year.

3. **Non-Personal Service spending increased by 2.4% (\$1.0M) from 2016 but was below budget for the year by \$7.3M.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. Gasoline expense increased \$157K, motor vehicle repair expense increased \$140K, and snow removal supplies and expenses increased \$257K. Debt service increased by almost \$1.2M as a result of making the first payments on the 2016 bonds this year but was under budget by \$1.0M. Demolition expenses increased by over \$1.0M. Contracted services expenses were lower in most of the departments and was under budget by \$5.4M. Most of this variance is related to the ACDA pass thru funds which are budgeted in this category and ended the year almost \$3.2M under budget. Equipment expense decreased \$369K and was under budget by \$522K.

## OVERTIME

| Department                  | 2017             | 2016             | Change           | %           | 2017             | Budget           | % of Budget |
|-----------------------------|------------------|------------------|------------------|-------------|------------------|------------------|-------------|
| Police (non-reimbursable)   | 5,477,795        | 5,253,876        | 223,919          | 4%          | 5,477,795        | 4,050,000        | 135%        |
| Fire                        | 893,818          | 1,168,951        | (275,133)        | -24%        | 893,818          | 900,351          | 99%         |
| Communications              | 349,689          | 221,019          | 128,670          | 58%         | 349,689          | 175,000          | 200%        |
| Parks Maintenance           | 185,707          | 163,128          | 22,579           | 14%         | 185,707          | 205,000          | 91%         |
| Waste Collection            | 243,719          | 193,101          | 50,618           | 26%         | 243,719          | 225,000          | 108%        |
| Landfill                    | 140,999          | 91,944           | 49,055           | 53%         | 140,999          | 151,000          | 93%         |
| Central Maint.              | 48,068           | 47,127           | 941              | 2%          | 48,068           | 70,000           | 69%         |
| Street Maintenance          | 279,672          | 227,244          | 52,428           | 23%         | 279,672          | 290,000          | 96%         |
| Recreation                  | 11,843           | 13,086           | (1,243)          | -9%         | 11,843           | 12,000           | 99%         |
| Traffic Engineering         | 41,966           | 39,269           | 2,697            | 7%          | 41,966           | 45,000           | 93%         |
| Capital Hills               | 22,548           | 22,034           | 514              | 2%          | 22,548           | 26,000           | 87%         |
| Fleet Maintenance           | 26,635           | 10,721           | 15,914           | 148%        | 26,635           | 31,000           | 86%         |
| Bleeker Stadium             | 0                | 95               | (95)             | -100%       | 0                | 600              | 0%          |
| Buildings                   | 85,455           | 77,234           | 8,221            | 11%         | 85,455           | 50,000           | 171%        |
| DGS Administration          | 639              | 1,385            | (746)            | -54%        | 639              | 2,500            | 26%         |
| Control of Animals          | 10,442           | 8,445            | 1,997            | 24%         | 10,442           | 9,000            | 116%        |
| Special Events              | 13,056           | 14,756           | (1,700)          | -12%        | 13,056           | 15,000           | 87%         |
| <b>General Fund</b>         | <b>7,832,051</b> | <b>7,553,415</b> | <b>278,636</b>   | <b>4%</b>   | <b>7,832,051</b> | <b>6,257,451</b> | <b>125%</b> |
| Police (reimbursable)       | 1,265,328        | 1,239,562        | 25,766           | 2%          | 1,265,328        | 1,200,000        | 105%        |
| Traffic Eng. (reimbursable) | 0                | 224              | (224)            | 0%          | 0                | 500              | 0%          |
| <b>Water</b>                | <b>522,248</b>   | <b>663,134</b>   | <b>(140,886)</b> | <b>-21%</b> | <b>522,248</b>   | <b>580,000</b>   | <b>90%</b>  |
| <b>Totals</b>               | <b>9,619,627</b> | <b>9,456,335</b> | <b>163,292</b>   | <b>2%</b>   | <b>9,619,627</b> | <b>8,037,951</b> | <b>120%</b> |

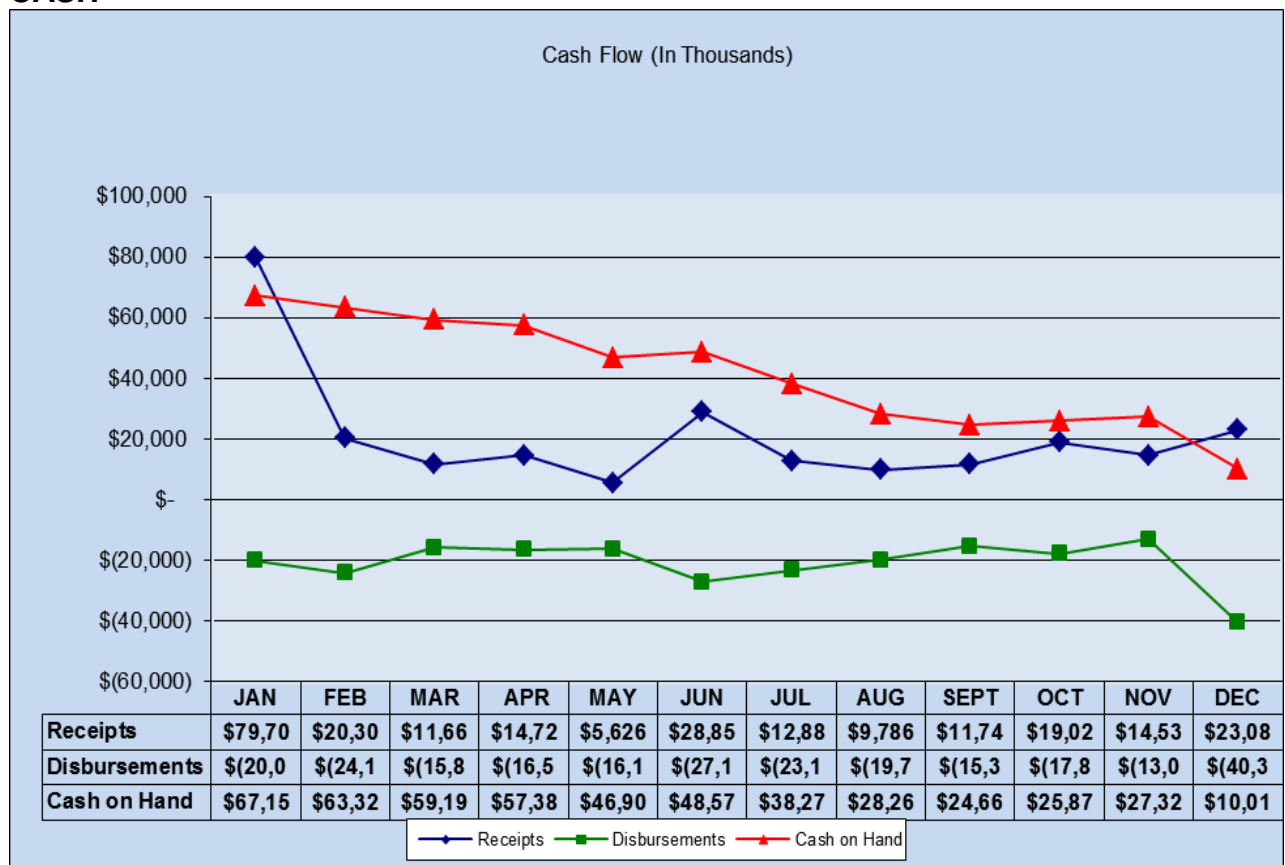
**2017 General Fund, non-reimbursable overtime increased by 4% (\$279K) from 2016**, and was at 129% of budget for the year almost \$1.6M over budget. Reimbursable OT includes the Water Department (for which the City is reimbursed) and a portion of Police overtime.

The Police department had the biggest increase in overtime payments which were up by almost \$224K compared to last year and \$1.4M over budget. The overage for APD was due to court OT (\$400K), Special Events OT (\$200K, partially caused by increased police presence due to increased general safety concerns) and increased training for the LEAD and Implicit Bias training programs. Additionally a portion of the Police OT costs were caused by unfilled vacancies that resulted in lower than budgeted regular-time personnel costs.

AFD OT decreased by over \$275K from 2016 and ended the year at 99% of budget (\$899K). The decrease from 2016 was caused by the receipt of the SAFER grant, which put AFD staffing at full strength, and the negotiated reduction of vacation day usage from 12 to 8 individuals off at any one time. Most of the OT spending over the budgeted amount is related to the training of new recruits (2 new classes, training for which comes from OT), and \$25K is reimbursable. OT is expected to be reduced going forward as new recruits fill staffing gaps and training costs are reduced.

Most of the departments had increases in overtime expenses from last year although most departments finished the year below budget.

## CASH



The City's cash position was \$2.5 million or 25% more than forecasted and almost \$6.2 million higher than the same period last year. Most of the increase is the result of NYS providing an additional \$12.5 million in Capital City Funding to the City in 2017. Delays in PILOT payments to the Albany School District and the County of Albany also provided us with needed cash. Without the Capital City Funding the City's cash balance at the end the year would have been almost \$1.8 million short for operations and may have required us to issue RANs.

## **CONCLUSION**

It is a positive sign that many smaller efforts to increase revenue and cut costs are being successfully implemented (parking ticket collections, landfill and other departmental revenue, attrition, workers' comp, bond refinancing). However, while the surplus of \$556K is a positive development, not all of the savings and/or revenue increases are expected to last or continue. Continued aid in some form from NYS will remain necessary to balance the budget for the foreseeable future. Therefore, the City will have to continue to find other savings and revenue sources in order to offset increases in salaries and associated expenses, as well as other revenue declines and cost increases.